

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Cannon	County Kent
Fiscal Year End March 31, 2007	Opinion Date July 18, 2007	Date Audit Report Submitted to State September 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

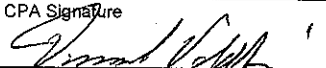
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not considered necessary	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 communication	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		Zip 49002	
Authorizing CPA Signature 	Printed Name Daniel L. Veldhuizen, CPA		License Number 1101020724

Township of Cannon
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Township of Cannon
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is intended as a narrative overview of the Township of Cannon, Michigan's operations over the fiscal year and its financial condition on March 31, 2007. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$346,722 (4 percent) as a result of this year's operations.
- Of the \$8,218,354 total net assets reported, \$1,778,460 (22 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$791,737, which represents 52 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. The Township's annual financial report is comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - The governmental fund statements tell how general governmental services like public works and public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the Township operates like a business. The Township's proprietary fund accounts for its wastewater system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2007 and 2006 is also presented.

Township of Cannon
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional nonfinancial factors such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities* - These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes and intergovernmental revenues generally fund these services.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services. The Township's wastewater system operations are reported here.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by grant agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like cemetery operations) or to show that it is properly using certain taxes and other revenues (like the fire millage).

The Township has three kinds of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship between them.

Township of Cannon
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Township's fiduciary balances are reported in separate Statement of Fiduciary Net Assets - Fiduciary Funds. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$8,218,354, an increase of 4% from the prior year. However, \$4,219,584 of this total is invested in capital assets and \$2,220,310 is restricted for various purposes. Consequently, unrestricted net assets were \$1,778,460, 22% of the total.

Condensed financial information
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Other assets	\$ 3,751,410	\$ 3,323,408	\$ 457,939	\$ 381,712	\$ 4,209,349	\$ 3,705,120
Capital assets	<u>2,360,085</u>	<u>2,406,935</u>	<u>3,679,962</u>	<u>3,704,861</u>	<u>6,040,047</u>	<u>6,111,796</u>
Total assets	<u>6,111,495</u>	<u>5,730,343</u>	<u>4,137,901</u>	<u>4,086,573</u>	<u>10,249,396</u>	<u>9,816,916</u>
Other liabilities	99,386	54,884	111,193	96,192	210,579	151,076
Long-term debt	<u>-</u>	<u>-</u>	<u>1,820,463</u>	<u>1,794,208</u>	<u>1,820,463</u>	<u>1,794,208</u>
Total liabilities	<u>99,386</u>	<u>54,884</u>	<u>1,931,656</u>	<u>1,890,400</u>	<u>2,031,042</u>	<u>1,945,284</u>
Net assets:						
Invested in capital assets, net of related debt	2,360,085	2,406,935	1,859,499	1,910,653	4,219,584	4,317,588
Restricted	2,220,310	1,899,196	-	-	2,220,310	1,899,196
Unrestricted	<u>1,431,714</u>	<u>1,369,328</u>	<u>346,746</u>	<u>285,520</u>	<u>1,778,460</u>	<u>1,654,848</u>
Total net assets	<u>\$ 6,012,109</u>	<u>\$ 5,675,459</u>	<u>\$ 2,206,245</u>	<u>\$ 2,196,173</u>	<u>\$ 8,218,354</u>	<u>\$ 7,871,632</u>

Township of Cannon
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. The Township's total revenues in 2007 are \$2,998,797. Approximately 39% of the Township's revenues come from property taxes while state shared revenue accounts for 27% of the total revenues. About 27% of total revenues come from charges for services.

Condensed financial information
Changes in net assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program revenues:						
Charges for services	\$ 272,465	\$ 307,244	\$ 534,023	\$ 475,879	\$ 806,488	\$ 783,123
Operating grants	11,689	11,604	-	-	11,689	11,604
Capital grants	8,397	-	-	-	8,397	-
General revenues:						
Property taxes	1,173,557	1,084,163	-	-	1,173,557	1,084,163
State shared revenue	821,447	825,224	-	-	821,447	825,224
Franchise fees	18,094	-	-	-	18,094	-
Interest income	140,500	92,777	18,625	15,552	159,125	108,329
Other	-	1,090	-	-	-	1,090
Total revenues	<u>2,446,149</u>	<u>2,322,102</u>	<u>552,648</u>	<u>491,431</u>	<u>2,998,797</u>	<u>2,813,533</u>
Expenses:						
Legislative	21,786	18,508	-	-	21,786	18,508
General government	848,520	791,877	-	-	848,520	791,877
Public safety	810,178	783,235	-	-	810,178	783,235
Public works	269,915	78,768	-	-	269,915	78,768
Community and economic development	119,102	85,944	-	-	119,102	85,944
Culture and recreation	39,998	28,170	-	-	39,998	28,170
Public utilities	-	-	542,576	917,359	542,576	917,359
Total expenses	<u>2,109,499</u>	<u>1,786,502</u>	<u>542,576</u>	<u>917,359</u>	<u>2,652,075</u>	<u>2,703,861</u>
Increase (decrease) in net assets	<u>\$ 336,650</u>	<u>\$ 535,600</u>	<u>\$ 10,072</u>	<u>\$ (425,928)</u>	<u>\$ 346,722</u>	<u>\$ 109,672</u>

Governmental activities

Governmental activities increased the Township's net assets by \$336,650 in 2007 compared with an increase of \$535,600 in 2006. Revenues increased by \$124,047 in 2007 because property tax revenues increased by \$89,394 due to an 8% increase in taxable values and interest income increased by \$47,723 due to higher interest rates. The increase in net assets was lower in 2007 than in 2006 because expenses increased by \$322,997. The most significant increase in expenses related to road repairs, public works expenses, which increased more than \$190,000 compared to the prior year.

Township of Cannon
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities (Continued)

The cost of all governmental activities this year was \$2,109,499 compared to \$1,786,502 in 2006. After subtracting the direct charges to those who directly benefited from the programs (\$272,465), and other operating and capital grants (\$20,086), the "public benefit" portion covered by property taxes, state shared revenue and other general revenues was \$1,816,948 in 2007 compared to \$1,467,654 in 2006.

Business-type activities

The business-type activities increased the Township's net assets by \$10,072 in 2007 compared to a \$425,928 decrease in 2006. Revenues increased by \$61,217 while expenses decreased by \$374,783. The key factors which led to this condition include the following:

- Charges for services increased due to the increase in sewer rates.
- The Township incurred significant costs to repair the Township's sewer infrastructure in 2006. No significant repairs occurred in 2007.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. At March 31, 2007, the Township's governmental funds reported a combined fund balance of \$3,652,024, an increase of \$383,500 compared to the prior year.

General Fund revenues exceeded expenditures by \$66,456 in 2007, compared to a \$12,934 excess of revenues over expenditures in 2006. This year's increase in fund balance was created by a 10% increase in property tax revenue while capital outlay expenditures were reduced by nearly \$66,000.

The fund balance of the Fire Fund increased this year by \$131,521 because its revenues, primarily property taxes, continue to be sufficient to cover the cost of public safety services.

The fund balance of the Recreation Fund increased this year by \$180,515 due to the fact the Township was waiting for matching grant funds before the start of construction on our non-motorized trail.

The fund balances of the nonmajor governmental funds increased \$5,008 during the year.

Proprietary fund. The Sewer Fund, the Township's sole proprietary fund, experienced an increase in net assets of \$10,072 for reasons explained above.

General Fund budgetary highlights

The Township amended the General Fund budgeted expenditures during the year to reflect increased costs experienced during the year. Total budgeted expenditures were increased by \$80,700. The most significant increase related to information technology (\$39,500) and police protection (\$17,800).

Total revenues were \$26,693 greater than budgeted amounts while expenditures were \$473,963 less than the amounts appropriated. These conditions resulted in a \$500,656 positive budget variance and a \$66,456 increase in fund balance compared to a budgeted \$434,200 decrease.

Township of Cannon
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

General Fund budgetary highlights (Continued)

Several departments experienced expenditures that were lower than anticipated. The most significant variances are explained as follows:

- Due to a decrease in building activity in the Township, inspections costs were \$54,824 less than anticipated.
- Road maintenance costs were \$91,244 less than expected.
- Capital outlay expenditures were \$186,648 lower than planned due to the delay of certain acquisitions.

Capital assets and debt administration

Capital assets

At March 31, 2007, the Township had invested \$6,040,047 (net of accumulated depreciation) in various capital assets, including its land, buildings, equipment, vehicles, and utilities systems. This amount represents a net decrease of \$71,749, comprised of \$178,002 in net additions and \$249,751 in provisions for depreciation.

This year's major capital asset additions included:

- \$39,200 for a new vehicle and related equipment
- \$26,000 for new accounting software
- \$65,085 net additions to the sewer system

More detailed information about the Township's capital assets is presented in Note 5 of the basic financial statements.

Debt administration

At the end of the fiscal year, the Township had debt outstanding in the amount of \$1,820,463, which represents a net increase of \$26,255 or 1 percent. All debt is backed by the full faith and credit of the Township.

The Township issued additional debt during the current year in the form of a contract payable to the North Kent Sewer Authority. The North Kent Sewer Authority issued bonds to finance the design of the new wastewater treatment plant and the Township's share of those bonds amounted to \$65,085.

All required principal payments, in the amount of \$38,830, were paid in a timely manner.

More detailed information about the Township's noncurrent liabilities is presented in Note 6 of the basic financial statements.

Economic condition and outlook

Cannon Township remains financially strong, with a sound and sensible fund balances. Cannon Township has provided a cautious balance between saving funds (due to the uncertain future of state revenue sharing) and providing the services desired by our citizens. By continuing to be good and proactive fiscal stewards, Cannon Township's economic condition and community outlook remains strong.

Township of Cannon
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Economic condition and outlook (Continued)

Our non-motorized trail construction is close to completion and will provide a wonderful amenity and invaluable treasure to our citizens and future generations. The new trail along with three county parks (within our township) continue to be a recreational advantage for Cannon Township.

Due to our long-term planning and conscientious effort toward preventative road maintenance over the last seven years, our road repair and upgrade budget has been reduced almost 18 percent.

The Township's Fire Department is evaluating a possible building expansion and will be performing a feasibility study in 2007-2008. The fire department remains financially solid and will use current revenues to upgrade equipment and vehicles so as to continue their first-rate service our citizens deserve.

Healthy fund balances, recreation projects, infrastructure preventative maintenance and a sound fire department are key and clear economic indicators illustrating that Cannon Township's outlook remains strong.

Contacting the Township's financial management

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors, and to demonstrate the Township's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to:

Peter MacGregor, Supervisor
Township of Cannon
6878 Belding Rd NE
Rockford, MI 49341

Phone: (616) 874-6966

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Cannon, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Cannon, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township of Cannon, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Cannon, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Cannon, Michigan, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Cannon, Michigan's basic financial statements. The combining fund financial statements, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Township of Cannon, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall A.C.

July 18, 2007

BASIC FINANCIAL STATEMENTS

Township of Cannon
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 1,881,689	\$ 145,742	\$ 2,027,431
Investments	1,494,504	288,374	1,782,878
Receivables	352,301	23,823	376,124
Prepaid expense	<u>22,916</u>	<u>-</u>	<u>22,916</u>
Total current assets	<u>3,751,410</u>	<u>457,939</u>	<u>4,209,349</u>
Noncurrent assets:			
Capital assets not being depreciated - land	70,913	-	70,913
Capital assets being depreciated, net	<u>2,289,172</u>	<u>3,679,962</u>	<u>5,969,134</u>
Total noncurrent assets	<u>2,360,085</u>	<u>3,679,962</u>	<u>6,040,047</u>
Total assets	<u>6,111,495</u>	<u>4,137,901</u>	<u>10,249,396</u>
LIABILITIES			
Current liabilities:			
Payables	99,386	111,193	210,579
Contracts payable	<u>-</u>	<u>39,125</u>	<u>39,125</u>
Total current liabilities	99,386	150,318	249,704
Noncurrent liabilities - contracts payable	<u>-</u>	<u>1,781,338</u>	<u>1,781,338</u>
Total liabilities	<u>99,386</u>	<u>1,931,656</u>	<u>2,031,042</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,360,085	1,859,499	4,219,584
Restricted for:			
Cemetery	4,267	-	4,267
Public safety	1,417,134	-	1,417,134
Public works	46,640	-	46,640
Culture and recreation	752,269	-	752,269
Unrestricted	<u>1,431,714</u>	<u>346,746</u>	<u>1,778,460</u>
Total net assets	<u>\$ 6,012,109</u>	<u>\$ 2,206,245</u>	<u>\$ 8,218,354</u>

See notes to financial statements

Township of Cannon
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

		<u>Program revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
Functions/Programs	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>grants and</u>
			<u>contributions</u>	<u>contributions</u>
Governmental activities:				
Legislative	\$ 21,786	\$ -	\$ -	\$ -
General government	848,520	132,804	-	-
Public safety	810,178	80,100	-	8,397
Public works	269,915	55,336	11,689	-
Community and economic development	119,102	4,225	-	-
Culture and recreation	39,998	-	-	-
Total governmental activities	2,109,499	272,465	11,689	8,397
Business-type activity - sewer	542,576	534,023	-	-
Totals	<u>\$ 2,652,075</u>	<u>\$ 806,488</u>	<u>\$ 11,689</u>	<u>\$ 8,397</u>

General revenues:

Property taxes
State shared revenue
Interest income
Franchise fees

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (21,786)		\$ (21,786)
(715,716)		(715,716)
(721,681)		(721,681)
(202,890)		(202,890)
(114,877)		(114,877)
<u>(39,998)</u>		<u>(39,998)</u>
(1,816,948)		(1,816,948)
<u>-</u>	\$ <u>(8,553)</u>	<u>(8,553)</u>
<u>(1,816,948)</u>	<u>(8,553)</u>	<u>(1,825,501)</u>
1,173,557	-	1,173,557
821,447	-	821,447
140,500	18,625	159,125
<u>18,094</u>	<u>-</u>	<u>18,094</u>
<u>2,153,598</u>	<u>18,625</u>	<u>2,172,223</u>
336,650	10,072	346,722
<u>5,675,459</u>	<u>2,196,173</u>	<u>7,871,632</u>
<u>\$ 6,012,109</u>	<u>\$ 2,206,245</u>	<u>\$ 8,218,354</u>

See notes to the financial statements

Township of Cannon
BALANCE SHEET - governmental funds

March 31, 2007

	Major funds			Nonmajor funds	Total governmental funds
	General	Fire	Recreation		
ASSETS					
Cash	\$ 557,272	\$ 996,038	\$ 324,112	\$ 4,267	\$ 1,881,689
Investments	627,652	391,963	427,422	47,467	1,494,504
Receivables	303,377	40,159	6,875	1,890	352,301
Prepaid expense	21,401	1,515	-	-	22,916
Total assets	<u>\$ 1,509,702</u>	<u>\$ 1,429,675</u>	<u>\$ 758,409</u>	<u>\$ 53,624</u>	<u>\$ 3,751,410</u>
LIABILITIES AND FUND BALANCES					
Liabilities - payables	\$ 77,988	\$ 12,541	\$ 6,140	\$ 2,717	\$ 99,386
Fund balances - unreserved:					
Designated	639,977	376,909	-	-	1,016,886
Undesignated	791,737	1,040,225	752,269		2,584,231
Undesignated reported in non-major - special revenue funds	-	-	-	50,907	50,907
Total fund balances	<u>1,431,714</u>	<u>1,417,134</u>	<u>752,269</u>	<u>50,907</u>	<u>3,652,024</u>
Total liabilities and fund balances	<u>\$ 1,509,702</u>	<u>\$ 1,429,675</u>	<u>\$ 758,409</u>	<u>\$ 53,624</u>	<u>\$ 3,751,410</u>

Total fund balances - all governmental funds \$ 3,652,024

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 2,360,085

Net assets of *governmental activities* \$ 6,012,109

See notes to financial statements

Township of Cannon

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2007

	Major funds			Nonmajor funds	Total governmental funds
	General	Fire	Recreation		
REVENUES					
Property taxes	\$ 571,122	\$ 490,837	\$ 196,684	\$ -	\$ 1,258,643
Licenses and permits	94,587	-	-	-	94,587
State grants	833,136	-	-	-	833,136
Charges for services	35,129	-	-	-	35,129
Interest and rentals	65,856	60,440	28,642	1,512	156,450
Other	3,863	12,405	-	51,936	68,204
Total revenues	1,603,693	563,682	225,326	53,448	2,446,149
EXPENDITURES					
Legislative	21,786	-	-	-	21,786
General government	800,727	-	-	-	800,727
Public safety	356,029	366,478	-	-	722,507
Public works	205,000	-	-	48,440	253,440
Community and economic development	119,102	-	-	-	119,102
Culture and recreation	7,541	-	29,478	-	37,019
Capital outlay	27,052	65,683	15,333	-	108,068
Total expenditures	1,537,237	432,161	44,811	48,440	2,062,649
NET CHANGES IN FUND BALANCES	66,456	131,521	180,515	5,008	383,500
FUND BALANCES - BEGINNING	1,365,258	1,285,613	571,754	45,899	3,268,524
FUND BALANCES - ENDING	\$ 1,431,714	\$ 1,417,134	\$ 752,269	\$ 50,907	\$ 3,652,024

Net change in fund balances - total governmental funds \$ 383,500

Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Capital assets:

Assets acquired	112,917
Provision for depreciation	(159,767)

Change in net assets of *governmental activities* \$ 336,650

See notes to financial statements

Township of Cannon
STATEMENT OF NET ASSETS - proprietary fund
 March 31, 2007

	<u>Sewer</u>
ASSETS	
Current assets:	
Cash	\$ 145,742
Investments	288,374
Receivables	<u>23,823</u>
Total current assets	457,939
Noncurrent assets:	
Capital assets being depreciated, net	<u>3,679,962</u>
Total assets	<u>4,137,901</u>
LIABILITIES	
Current liabilities:	
Payables	111,193
Contracts payable	<u>39,125</u>
Total current liabilities	150,318
Noncurrent liabilities - contracts payable	<u>1,781,338</u>
Total liabilities	<u>1,931,656</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,859,499
Unrestricted	<u>346,746</u>
Total net assets	<u>\$ 2,206,245</u>

See notes to financial statements

Township of Cannon
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary fund*
Year ended March 31, 2007

	<u>Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 534,023
OPERATING EXPENSES	
Operation and maintenance	370,844
Depreciation	<u>89,984</u>
Total operating expenses	<u>460,828</u>
OPERATING INCOME	<u>73,195</u>
NONOPERATING REVENUE (EXPENSE)	
Interest revenue	18,625
Interest expense	<u>(81,748)</u>
Total nonoperating expense	<u>(63,123)</u>
CHANGE IN NET ASSETS	10,072
NET ASSETS - BEGINNING	<u>2,196,173</u>
NET ASSETS - ENDING	<u>\$ 2,206,245</u>

See notes to financial statements

Township of Cannon
STATEMENT OF CASH FLOWS - proprietary fund
Year ended March 31, 2007

	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 539,999
Payments to suppliers	(362,548)
Payments to employees	<u>7,204</u>
Net cash provided by operating activities	<u>184,655</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on capital debt	(38,830)
Interest payments on capital debt	<u>(82,247)</u>
Net cash used in capital and related financing activities	<u>(121,077)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in investments	(13,501)
Interest received	<u>18,625</u>
Net cash provided by investing activities	<u>5,124</u>
NET INCREASE IN CASH	68,702
CASH - BEGINNING	<u>77,040</u>
CASH - ENDING	<u>\$ 145,742</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 73,195
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	89,984
Change in assets and liabilities:	
Receivables	5,976
Payables	<u>15,500</u>
Net cash provided by operating activities	<u>\$ 184,655</u>

Noncash capital and related financing activities:

Capital assets, in the amount of \$65,085, were acquired through the issuance of a contract payable.

See notes to financial statements

Township of Cannon
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
March 31, 2007

ASSETS

Cash	\$ 7,488
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LIABILITIES

Payables	\$ 7,488
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See notes to the financial statements

Township of Cannon
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Cannon, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Township exercises oversight responsibility.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the use of property tax revenues that are restricted for the financing of the costs of fire protection within the Township.

The Recreation Fund accounts for the use of property tax revenues that are restricted for the financing of recreation costs within the Township.

The Township reports the following major proprietary fund:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

The Township reports a fiduciary fund, its Escrow Fund, which accounts for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer systems, roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 - 50 years
Equipment	3 - 20 years
Vehicles	20 years
Shared road costs	10 - 15 years
Sewer systems	50 - 67 years

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Fund equity - In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

v) Property tax revenue recognition - Property taxes are levied as of March 1 on property values assessed as of March 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year. The Township experienced no significant budget variances during the fiscal year.

NOTE 3 - CASH AND INVESTMENTS:

Cash, as presented in the accompanying financial statements, consists of the following:

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Fiduciary</i>	<i>Total</i>
Deposits	\$ 1,881,589	\$ 145,742	\$ 7,488	\$ 2,034,819
Investments	1,494,504	288,374	-	1,782,878
Cash on hand	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>
Totals	<u>\$ 3,376,193</u>	<u>\$ 434,116</u>	<u>\$ 7,488</u>	<u>\$ 3,817,797</u>

Deposits:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At March 31, 2007, \$1,857,748 of the Township's bank balances of \$2,057,748 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. The Township's investments consist of holdings in the Kent County Investment Pool, which are nonrisk-categorized qualifying investments, and are carried at cost, which approximates fair market value.

NOTE 4 - RECEIVABLES:

At March 31, 2007, the Township's receivables were as follows:

	<u>Property taxes</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Special assessments</u>	<u>Totals</u>
Governmental activities:					
General Fund	\$ 17,540	\$ 150,971	\$ 134,866	\$ -	\$ 303,377
Fire Fund	17,159	23,000	-	-	40,159
Recreation Fund	6,875	-	-	-	6,875
Nonmajor funds	-	-	-	1,890	1,890
	<u>\$ 41,574</u>	<u>\$ 173,971</u>	<u>\$ 134,866</u>	<u>\$ 1,890</u>	<u>\$ 352,301</u>
Business-type activities -					
Sewer Fund	\$ -	\$ 23,823	\$ -	\$ -	\$ 23,823

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 55,583	\$ 15,330	-	\$ 70,913
Capital assets being depreciated				
Buildings	\$ 1,748,037	\$ 6,950	\$ -	\$ 1,754,987
Equipment	572,363	61,167	-	633,530
Shared road costs	247,127	-	-	247,127
Vehicles	1,199,908	29,470	(20,000)	1,209,378
Subtotal	<u>3,767,435</u>	<u>97,587</u>	<u>(20,000)</u>	<u>3,845,022</u>
Less accumulated depreciation for:				
Buildings	(451,075)	(37,111)	-	(488,186)
Equipment	(242,235)	(48,854)	-	(291,089)
Shared road costs	(8,499)	(16,475)	-	(24,974)
Vehicles	(714,274)	(57,327)	20,000	(751,601)
Subtotal	<u>(1,416,083)</u>	<u>(159,767)</u>	<u>20,000</u>	<u>(1,555,850)</u>
Total capital assets being depreciated, net	<u>2,351,352</u>	<u>(62,180)</u>	<u>-</u>	<u>2,289,172</u>
Governmental activities capital assets, net	<u>\$ 2,406,935</u>	<u>\$ (46,850)</u>	<u>-</u>	<u>\$ 2,360,085</u>

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets being depreciated - sewer system	\$ 5,321,498	\$ 65,085	\$ -	\$ 5,386,583
Less accumulated depreciation	<u>(1,616,637)</u>	<u>(89,984)</u>	<u>-</u>	<u>(1,706,621)</u>
Total capital assets being depreciated, net	<u>\$ 3,704,861</u>	<u>\$ (24,899)</u>	<u>\$ -</u>	<u>\$ 3,679,962</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 58,848
Public safety	81,465
Public works	16,475
Culture and recreation	<u>2,979</u>
Total governmental activities	<u>\$ 159,767</u>

NOTE 6 - NONCURRENT LIABILITIES:

Noncurrent liabilities at March 31, 2007 consist of the following issues:

Business-type activities:

2000 North Kent County Sewer Authority debt service contract; payable in annual installments ranging between \$16,475 to \$54,909; plus interest payable semi-annually at rates between 5.00% and 5.50%; final payment due May 2025.	\$ 402,116
2001 North Kent County Sewer Authority debt service contract; payable in annual installments ranging between \$14,384 to \$39,680; plus interest payable semi-annually at rates between 2.80% and 4.875%; final payment due November 2026.	518,206
2002 North Kent County Sewer Authority debt service contract; payable in annual installments ranging between \$8,701 to \$23,611; plus interest payable semi-annually at rates between 2.7% and 5.05%; final payment due November 2027.	246,012
2005 North Kent County Sewer Authority debt service contract; payable in annual installments ranging between \$17,784 to \$40,014; plus interest payable semi-annually at rates between 3.5% and 4.5%; final payment due November 2030.	592,800
1998 North Kent County Sewer Authority debt service contract; payable in annual installments ranging between \$3,557 to \$7,017; plus interest payable semi-annually at rates between 3.5% and 4.5%; final payment due May 2018.	<u>61,329</u>
Total business-type activities	<u>\$ 1,820,463</u>

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued):

Noncurrent liability activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Business-type activities:</i>					
2000 debt service contract	\$ 414,466	\$ -	\$ 12,350	\$ 402,116	\$ 12,350
2001 debt service contract	534,014	-	15,808	518,206	16,302
2002 debt service contract	252,928	-	6,916	246,012	6,916
2005 debt service contract	592,800	-	3,756	589,044	-
1998 debt service contract	-	65,085	-	65,085	3,557
Totals	\$ 1,794,208	\$ 65,085	\$ 38,830	\$ 1,820,463	\$ 39,125

At March 31, 2007, debt service requirements were as follows:

<u>Year ended March 31,</u>	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	39,125	83,265
2009	41,389	81,481
2010	60,847	79,574
2011	64,100	76,938
2012	65,774	74,134
2013 - 2017	379,618	325,062
2018 - 2022	462,696	232,060
2023 - 2027	538,460	112,953
2028 - 2031	168,454	18,278
Totals	\$ 1,820,463	\$ 1,083,745

All debt is secured by the full faith and credit of the Township.

NOTE 7 - PAYABLES:

At March 31, 2007, the Township's payables were as follows:

	<u>Accounts</u>	<u>Interest</u>	<u>Totals</u>
<i>Governmental funds:</i>			
General Fund	\$ 77,988	\$ -	\$ 77,988
Fire Fund	12,541	-	12,541
Recreation Fund	6,140	-	6,140
Nonmajor funds	2,717	-	2,717
Total governmental funds	\$ 99,386	\$ -	\$ 99,386
 Proprietary fund - Sewer Fund	 \$ 76,293	 \$ 34,900	 \$ 111,193

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan statutes assign the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate after six months of employment. The Township contributes 12% of each qualified employee's base salary to the plan and the contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township and its employees made required contributions of \$61,317 and \$6,990, respectively.

NOTE 9 - JOINT VENTURE:

North Kent Sewer Authority:

The Township is a participant in the North Kent Sewer Authority (the Authority). The administrative board of the Authority consists of members appointed by each participating unit. The Authority was formed for the purpose of acquiring and operating a sanitary sewer system.

The Township utilizes the Authority to transport its sewage to the City of Grand Rapids Sanitary Sewer System for treatment and disposal. The Township has no equity interest in the Authority; therefore, financial information of the Authority has not been included in the Township's financial statements. Costs of operations and capital asset acquisitions of the Authority are supported by contributions from the participating municipalities based on their share of sewage flow through the system. The Township has pledged its limited tax full faith and credit for its share of bonds issued by the Authority. During the year ended March 31, 2007, the Township paid the Authority \$120,678.

Complete financial statements for the Authority can be obtained from the Authority's administrative office at P.O. Box 561, Rockford, Michigan 49341-0561.

NOTE 10 - CLAIMS ARISING FROM RISKS OF LOSS:

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation. The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance. Claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2007, follows:

Revenues	\$ 76,093
Expenses	<u>(98,276)</u>
Deficiency of revenues over expenses	<u>\$ (22,183)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Cannon

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 498,950	\$ 498,950	\$ 571,122	\$ 72,172
Licenses and permits	167,050	167,050	94,587	(72,463)
State grants	830,000	830,000	833,136	3,136
Charges for services	39,900	39,900	35,129	(4,771)
Interest and rentals	38,400	38,400	65,856	27,456
Other	<u>2,700</u>	<u>2,700</u>	<u>3,863</u>	<u>1,163</u>
Total revenues	<u>1,577,000</u>	<u>1,577,000</u>	<u>1,603,693</u>	<u>26,693</u>
EXPENDITURES				
Legislative	<u>21,100</u>	<u>21,100</u>	<u>21,786</u>	<u>(686)</u>
General government:				
Supervisor	28,250	30,000	29,405	595
Elections	16,150	17,700	17,678	22
Assessor	85,500	85,500	82,989	2,511
Clerk	135,600	135,600	124,803	10,797
Treasurer	106,650	106,650	104,633	2,017
Board of Review	1,300	1,400	1,433	(33)
Information technology	47,000	86,500	84,805	1,695
Administrative support	69,950	69,950	57,876	12,074
Professional services	72,700	72,700	55,034	17,666
Fringe benefits	165,200	169,800	143,988	25,812
Hall and grounds	60,100	70,800	69,965	835
Cemetery	20,600	20,600	11,460	9,140
Other	<u>53,250</u>	<u>53,250</u>	<u>16,658</u>	<u>36,592</u>
Total general government	<u>862,250</u>	<u>920,450</u>	<u>800,727</u>	<u>119,723</u>
Public safety:				
Law enforcement	240,000	257,800	257,753	47
Building inspection	<u>153,100</u>	<u>153,100</u>	<u>98,276</u>	<u>54,824</u>
Total public safety	<u>393,100</u>	<u>410,900</u>	<u>356,029</u>	<u>54,871</u>

Township of Cannon

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Public works:				
Road construction and maintenance	\$ 268,200	\$ 268,200	\$ 176,956	\$ 91,244
Public transportation	2,000	2,000	1,932	68
Watershed	<u>31,150</u>	<u>31,150</u>	<u>26,112</u>	<u>5,038</u>
Total public works	<u>301,350</u>	<u>301,350</u>	<u>205,000</u>	<u>96,350</u>
Community and economic development - planning and zoning	<u>128,250</u>	<u>132,250</u>	<u>119,102</u>	<u>13,148</u>
Culture and recreation:				
Parks and recreation	2,000	2,000	2,326	(326)
Historical society	<u>9,450</u>	<u>9,450</u>	<u>5,215</u>	<u>4,235</u>
Total culture and recreation	<u>11,450</u>	<u>11,450</u>	<u>7,541</u>	<u>3,909</u>
Capital outlay	<u>213,000</u>	<u>213,700</u>	<u>27,052</u>	<u>186,648</u>
Total expenditures	<u>1,930,500</u>	<u>2,011,200</u>	<u>1,537,237</u>	<u>473,963</u>
NET CHANGES IN FUND BALANCES	(353,500)	(434,200)	66,456	500,656
FUND BALANCES - BEGINNING	<u>1,365,258</u>	<u>1,365,258</u>	<u>1,365,258</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$1,011,758</u>	<u>\$ 931,058</u>	<u>\$1,431,714</u>	<u>\$ 500,656</u>

Township of Cannon
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 460,400	\$ 460,400	\$ 490,837	\$ 30,437
Interest	33,000	33,000	60,440	27,440
Other	-	-	12,405	12,405
Total revenues	<u>493,400</u>	<u>493,400</u>	<u>563,682</u>	<u>70,282</u>
EXPENDITURES				
Public safety	349,800	360,600	366,478	(5,878)
Capital outlay	<u>76,000</u>	<u>76,000</u>	<u>65,683</u>	<u>10,317</u>
Total expenditures	<u>425,800</u>	<u>436,600</u>	<u>432,161</u>	<u>4,439</u>
NET CHANGES IN FUND BALANCES	67,600	56,800	131,521	74,721
FUND BALANCES - BEGINNING	<u>1,285,613</u>	<u>1,285,613</u>	<u>1,285,613</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$1,353,213</u>	<u>\$1,342,413</u>	<u>\$1,417,134</u>	<u>\$ 74,721</u>

Township of Cannon
BUDGETARY COMPARISON SCHEDULE - Recreation Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 200	\$ 200	\$ 196,684	\$ 196,484
Interest	<u>11,800</u>	<u>11,800</u>	<u>28,642</u>	<u>16,842</u>
Total revenues	<u>12,000</u>	<u>12,000</u>	<u>225,326</u>	<u>213,326</u>
EXPENDITURES				
Culture and recreation	80,000	80,000	29,478	50,522
Capital outlay	<u>500,000</u>	<u>500,000</u>	<u>15,333</u>	<u>484,667</u>
Total expenditures	<u>580,000</u>	<u>580,000</u>	<u>44,811</u>	<u>535,189</u>
NET CHANGES IN FUND BALANCES	(568,000)	(568,000)	180,515	748,515
FUND BALANCES - BEGINNING	<u>571,754</u>	<u>571,754</u>	<u>571,754</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 3,754</u>	<u>\$ 3,754</u>	<u>\$ 752,269</u>	<u>\$ 748,515</u>

SUPPLEMENTARY INFORMATION

Township of Cannon**COMBINING BALANCE SHEET - nonmajor governmental funds**

March 31, 2007

	Special revenue funds			Totals
	<u>Cemetery</u>	<u>Street Lighting</u>	<u>Weed control</u>	
ASSETS				
Cash	\$ 4,267	\$ -	\$ -	\$ 4,267
Investments	-	27,157	20,310	47,467
Receivables	-	718	1,172	1,890
Total assets	<u>\$ 4,267</u>	<u>\$ 27,875</u>	<u>\$ 21,482</u>	<u>\$ 53,624</u>
LIABILITIES AND FUND BALANCES				
Liabilities - payables	\$ -	\$ 2,717	\$ -	\$ 2,717
Fund balances - unreserved, undesignated	<u>4,267</u>	<u>25,158</u>	<u>21,482</u>	<u>50,907</u>
Total liabilities and fund balances	<u>\$ 4,267</u>	<u>\$ 27,875</u>	<u>\$ 21,482</u>	<u>\$ 53,624</u>

Township of Cannon**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2007

	<u>Special revenue funds</u>			
	<u>Cemetery</u>	<u>Street Lighting</u>	<u>Weed control</u>	<u>Totals</u>
REVENUES				
Interest	\$ 197	\$ 895	\$ 420	\$ 1,512
Other - special assessments	<u>-</u>	<u>31,727</u>	<u>20,209</u>	<u>51,936</u>
Total revenues	197	32,622	20,629	53,448
EXPENDITURES				
Public works	<u>-</u>	<u>31,622</u>	<u>16,818</u>	<u>48,440</u>
NET CHANGES IN FUND BALANCES	197	1,000	3,811	5,008
FUND BALANCES - BEGINNING	<u>4,070</u>	<u>24,158</u>	<u>17,671</u>	<u>45,899</u>
FUND BALANCES - ENDING	<u>\$ 4,267</u>	<u>\$ 25,158</u>	<u>\$ 21,482</u>	<u>\$ 50,907</u>

**Members of the Township Board
Township of Cannon, Michigan**

In planning and performing our audit of the financial statements of the Township of Cannon as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Cannon's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

- The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the Board of Trustees of the Township of Cannon, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

July 18, 2007